Saskatchewan Rate Review Panel

Report to the Minister of Crown Investments Corporation on:

The Proposal from Saskatchewan Government Insurance for Saskatchewan Auto Fund Rate Adjustment

September 29, 2000

Saskatchewan Rate Review Panel

Bob Lacoursiere, Chair
Saskatoon

Tracey Bakkeli
Regina

Jack Boan, Vice Chair
Regina

Jo-Ann Carignan-Vallee
Assiniboia

Sheldon Craig
La Ronge

Joan Meyer
Swift Current

September 29, 2000

Honourable John Nilson, Q.C.
Minister of Crown Investments Corporation
Room 361, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Minister:

As instructed in your Minister's Order dated August 10, 2000, the Saskatchewan Rate Review Panel has completed its review of the proposal by SGI for a change in rates charged by the Saskatchewan Auto Fund. Attached for your consideration is a copy of the Panel's Report and recommendations with respect to the proposed rate change.

In conducting its review, the Panel received advice from a variety of interested parties and the general public through meetings and submissions received through the mail, by facsimile, by telephone and through electronic mail systems. The Panel also engaged the services of a consultant to provide expert advice.

The Panel received excellent co-operation from officials at SGI and wishes to express its appreciation for their responsiveness in providing clarification, explanation and additional information to meet the Panel's needs.

The Panel is satisfied that its recommendations with respect to the rate proposal are fair and reasonable within the mandate established by the Minister's Order.

The Panel wishes to thank you for this opportunity to provide this advice and to transmit to you the outcome of its deliberations.

Yours truly,

Bob Lacoursiere

Bob Lacoursiere, C.A., CMC, R.F.P., Chair

Attachment (1)

310 - 20th Street East, Suite 400, Saskatoon, SK S7K 0A7
Phone: (306) 525-1983 Toll Free: 1-877-368-7075 Fax: (306) 525-0214
E-mail: input@skrrp.com www.skrrp.com

102-06258/

Table of Contents

Introduction ..... Page 1

Proposal by SGI - Saskatchewan Auto Fund Rate Adjustment ..... Page 3

The Review Process ..... Page 6

Summary of Consultant's Report ..... Page 8

Panel Conclusions and Recommendations ..... Page 10

Appendix A: Minister's Order - Saskatchewan Rate Review Panel
Saskatchewan Auto Fund

Appendix B: Report of Raymond G. Ballan, FIIC
to the Saskatchewan Rate Review Panel

Introduction

The Saskatchewan Rate Review Panel (the "Panel") has been asked by the Government of Saskatchewan to review Crown corporations' requests for monopoly rate changes.

The Panel consists of Bob Lacoursiere, Tracey Bakkeli, Jack Boan, Jo-Ann Carignan-Vallee, Sheldon Craig and Joan Meyer. Each member of the Panel has been appointed until July 25, 2002.

MANDATE

In its general mandate, the Panel is instructed to conduct a review and provide an opinion on the fairness and reasonableness of proposed Crown corporation rate changes referred to the Panel by the Minister of Crown Investments Corporation, considering the interests of the customer, the Crown corporation and the public.

In conducting its reviews, the Panel is required to:

- receive a rate change submission from a Crown corporation;
- establish procedures for conducting the review and ensure that these procedures are made available to the public;
- engage the services of a consultant(s) to assist the Panel in its review of the fairness and reasonableness of the proposed rate change;
- make available to the public, prior to holding public meetings, the Crown corporation rate change submission, with the exception of commercially sensitive information;
- hold public meetings and provide appropriate notification to the public of the date and location of public meetings, including any rules for public participation and Crown corporation participation;
- provide members of the public with the opportunity to review and comment on the proposed rate changes to the extent reasonably allowed by the mandate of the Panel and by the schedule according to which the Panel is required to complete its work and provide its report to the Minister of Crown Investments Corporation;
- receive presentations of the consultant(s) or the Crown corporation, review any written submissions and receive comments from the public;
- prepare a report on the Crown corporation rate change submission for the Minister of Crown Investments Corporation after considering the material received from the Crown corporation, the consultant(s), the public and its own analysis:
    - where the Panel determines the rate changes as proposed are fair and reasonable, recommend that the changes be implemented; or,
    - where the Panel determines the rate changes are not fair and reasonable as proposed, recommend that the rate changes be adjusted providing reasons for this conclusion;

- provide its report respecting the proposed rate changes to the Minister of Crown Investments Corporation on a date set out in or within any time period after having received the rate change submission that is contained in the specific terms of reference for particular Crown corporation rate reviews; and,
- make its report available to the public.

TERMS OF REFERENCE

On August 10, 2000, the Panel was instructed to conduct a review of the Saskatchewan Government Insurance (SGI) proposal for a change in the rates charged for insurance by the Saskatchewan Auto Fund.

The Panel was instructed to consider:

- the reasonableness of the proposed rate change relative to the Saskatchewan Auto Fund's mandate to operate on a break-even basis over time;
- the importance of addressing the Rate Stabilization Reserve (RSR) deficit;
- the reasonableness of the proposed change relative to the rising cost of claims;
- the need to ensure stability and fairness in rating; and,
- the five-year earnings forecast for the Saskatchewan Auto Fund, with and without the proposed rate change.

The Panel was instructed to take as given:

- the Saskatchewan Auto Fund's forecasted revenues and expenses;
- the compulsory insurance coverages provided by the Saskatchewan Auto Fund through its legislative mandate;
- the vehicle rating risk groups used by the Auto Fund; and,
- the accounting and operating policies and procedures used by the Saskatchewan Auto Fund.

It was noted that SGI Canada and SGI Canada Insurance Services Ltd. (SCICL) are separate entities from the Saskatchewan Auto Fund and therefore were not to be considered part of this submission.

The Panel was instructed to present its report to the Minister of Crown Investments Corporation by September 29, 2000 (see Appendix A).

Proposal by SGI - Saskatchewan Auto Fund Rate Adjustment

Saskatchewan Government Insurance is proposing to increase insurance premiums charged by the Saskatchewan Auto Fund by an average of two per cent (2.0%), equivalent to approximately $8.3 million in additional premiums, effective January 1, 2001.

It is also proposed that rates be adjusted by vehicle classification based on accident claims experience such that some premiums would increase while others would be reduced (that is, rates would be re-balanced).

LIGHT VEHICLES

The combined impact of the **proposed** adjustments and the average 2 per cent increase would affect light vehicle premiums (representing about 75 per cent of the vehicles in the Province) as follows.

Allocation of Light Vehicle Rate Adjustments by Dollars

Adjustment Range	Number of Vehicles	Percentage of Total Light Vehicles
Proposed Decreases		
Greater than $100	1	0.0%
$51 to $100	729	0.1%
$1 to $50	167,993	27.7%
Total Proposed Decreases	**168,723**	**27.8%**
Proposed Unchanged	**228,762**	**37.7%**
Proposed Increases		
$1 to $50	186,061	30.7%
$51 to $100	22,147	3.7%
Greater than $100	730	0.1%
Total Proposed Increases	**208,938**	**34.5%**
	606,422	**100.0%**

OLDER LIGHT VEHICLES

SGI has proposed that the premiums on older vehicles be adjusted to reflect loss ratios but that the adjustments be limited to a maximum of $100 for pre-1975 vehicles and 10 per cent for vehicles between 1975 and 1980.

AMALGAMATION OF LIGHT VEHICLE PREMIUMS

Light vehicles (Gross Vehicle Weight less than 5,000 kg) that are registered to a business or a company are currently registered in the commercial class and are subject to a cap on physical damage coverage of $15,000. SGI has proposed that this cap on physical damage coverage be removed and that these vehicles be merged into the other vehicle classes with the same rates as non-commercial vehicles.

FARM TRUCKS, VANS, SUVs, POWER UNITS AND TRAILERS

SGI has proposed that farm trucks, vans and SUVs under 5,000 kilograms would experience an increase in rates restricted to 2 per cent while older trucks, vans and SUVs (1986 and older) would see no increase. Farm trucks over 5,000 kilograms would see proposed premium increases to a maximum of $70 for model years 1988 and newer, no proposed premium increase or reductions for model years 1979 to 1987 and a proposed increase of $35 for model years 1978 and older.

SGI has proposed that farm power units would see no increases except for model years 1986 to 1994 which would receive rate increases between $20 and $35. Farm trailer premiums would remain unchanged or decrease.

OTHER VEHICLES

Other vehicles would see rate adjustments ranging from decreases to a maximum increase of $300 per year, as follows.

Range of SGI Proposed Adjustments to Vehicle Premiums

Vehicle Group	Number of Vehicles	Proposed Minimum Increase	Proposed Average Increase	Proposed Maximum Increase
Class A - Commercial (Power Units)	4,379	Decreases	$11	$300
Class C&D - Commercial (Power Units)	3,329	Decreases	$121	$300
Class L - Auto Dealer	3,007	$250	$250	$250
Class LT - Cabin Trailer Dealer	122	$300	$300	$300
Class PB - Intercity Bus Seating Capacity: 9 and less 25 and greater	 112 127	 $0 $300	 $195 $300	 $300 $300
Class PC - City Bus Seating Capacity: 9 and less 25 and greater	 83 239	 $300 $100	 $300 $115	 $300 $300
Class PT - Taxis - Regina/Saskatoon - Large City - Small City - Other	 300 75 106 211	 $300 $0 $300 $0	 $300 $0 $300 $60	 $300 $0 $300 $300
Class PV - Motorcycles	4,578	Decreases	$207	$300

PUBLIC CONSULTATIONS

In reviewing the SGI Saskatchewan Auto Fund proposal, the Panel conducted a public consultation process that included:

- six public meetings;
- establishment of a toll-free telephone message line;
- receipt of submissions by mail;
- receipt of messages by facsimile; and,
- receipt of electronic message correspondence.

These methods of public discussion were advertised in Saskatchewan daily newspapers and in weekly newspapers. In addition, radio clips were played on local radio stations.

Panel members were also involved in numerous media interviews and public appearances.

Copies of the SGI rate proposal were made available to the public at SGI claims centres in the province, at the public meetings and on the Internet.

The six public meetings were held on:

- September 7 at the Travelodge Hotel in Saskatoon;
- September 8 at the Travelodge Hotel in Prince Albert;
- September 11 at the Tropical Inn in North Battleford;
- September 12 at the Days Inn in Swift Current;
- September 13 at the Travelodge Hotel in Regina; and,
- September 14 at the Holiday Inn in Yorkton.

The meetings included:

- an introduction by the Chair with an explanation of the proceedings and the Panel's mandate for the review;
- an overview by SGI of its request;
- an opportunity for submissions by individuals or organizations that had indicated an interest in addressing the Panel; and,
- an opportunity for questions or comments from the floor.

In total, using all these methods of public consultation, the Panel received comments and suggestions from over 300 individuals and groups throughout Saskatchewan.

CONSULTANT

In conducting its review, the Panel also engaged the services of a consultant to examine and advise on the reasonableness and fairness of the SGI Saskatchewan Auto Fund proposal.

Raymond G. Ballan, FIIC was contracted to provide consulting services to the Panel. Mr. Ballan has over 38 years experience in insurance as an underwriter. His most recent position was with Manitoba Public Insurance Corporation. Mr. Ballan's experience in the private and public sector provided useful technical assistance to the Panel's review.

PRESENTATIONS

As required in its mandate, the Panel received presentations from officials of SGI and from its consultant at several points throughout the review process to:

- develop an understanding of the proposed rate changes;
- understand the analyses prepared for the Panel; and,
- develop its recommendations.

PANEL'S REPORT

The Panel has prepared a report highlighting the results of its consultation process and its own analysis and making a recommendation to the Minister of Crown Investments Corporation.

Summary of Consultant's Report

The Panel met with the consultant and, following his advice, sought additional information from SGI officials on the rate proposal.

The consultant also provided briefing to the Panel on specific issues and prepared a final report and assessment of the SGI submission to the Panel (attached as Appendix B).

RATES

The consultant's report examined SGI's proposal for rate adjustments to the Saskatchewan Auto Fund.

The consultant generally considered the Saskatchewan Auto Fund's guiding principles of an average increase of 2% and a maximum increase of 10% or $300, reasonable with a few exceptions.

The consultant concurred with SGI's proposal for the following:

- Light vehicles (other than older)
- Farm Light Trucks
- Farm Power Units
- Farm Trailers
- Commercial Light Vehicle Amalgamation
- Class A Power Units
- Class C and D Power Units
- Cabin Trailer Dealers
- Taxis
- Miscellaneous

The consultant recommended changes to the SGI proposed rates for the following classes of vehicles:

- Older Light Vehicles
- Farm Light Vans/SUVs
- Heavy Farm Trucks
- Class A Heavy Trucks
- Class C&D Heavy Trucks
- Automobile Dealers
- Class PB-Intercity Buses
- Class PC-City Buses
- Class PS-School Buses
- Motorcycles

AUTO FUND FINANCIAL REQUIREMENTS

The Saskatchewan Auto Fund perates as a trust fund for Saskatchewan motorists and is administered based upon stability, consistency and equity. The consultant reported it is very important that the fund remain on a financially secure basis.

The consultant acknowledged SGI is undergoing a process to adapt Canadian Loss Experience Automobile Rating (CLEAR) statistics and ratings to Saskatchewan experience. Mr. Ballan recommended that the Saskatchewan Auto Fund continue moving towards a process that combines the Saskatchewan Auto Fund and CLEAR statistics with a target date of 2004.

The consultant agreed with the importance of the Rate Stabilization Reserve, viewing it as good business to retain funds in reserve in the event of exceptional swings. The consultant recommended once the target is reached adjustments should be made on a regular basis to maintain the Rate Stabilization Reserve .

The consultant also recommended that limitations to in the premium adjustments, relative to those proposed by SGI, could be accommodated within the overall financial objectives for the Rate Stabilization Reserve.

The Panel wishes to note the co-operation it received from SGI in its review of the proposal. Officials from SGI were helpful and forthcoming in presenting the proposal to the Panel, in briefing the Panel and assisting with the public consultations and in providing additional information as the review proceeded. The Panel was encouraged by the level and quality of co-operation with the review process from SGI.

The Panel is pleased with the analysis and assistance provided by the consultant, Raymond G. Ballan. The report provided by the consultant was invaluable in identifying many of the issues that the Panel considered in its deliberation and formulation of its recommendations.

The Panel feels that comments and submissions received in the public consultation process were useful, especially in assessing the fairness of the proposed rate change. In addition to the useful comments from the public on the review at hand, the Panel was afforded an opportunity to receive public comment on many other issues beyond the mandate of this particular review.

THE PANEL'S CONSIDERATIONS

In reaching its conclusions and formulating its recommendations, the Panel identified a number of important considerations.

The Panel's Mandate

The Panel is conscious of the parameters of its overall mandate with particular focus on the need to consider the "fairness and reasonableness" of the proposed Saskatchewan Auto Fund rate changes "considering the interests of the customer, the Crown corporation and the public."

The Basic Proposal

The Panel recognizes that there are two basic components to the SGI proposal for the Saskatchewan Auto Fund premium rate change:

- an adjustment or rebalancing of specific rates applied to specific vehicles and vehicle classes, and
- provision for an overall (or average) increase in premiums charged.

The Panel is also very conscious of SGI's established objective of maintaining **"stability, consistency and equity"** in the premium rate structure employed by the Saskatchewan Auto Fund. The Panel examined the proposal very carefully within that stated objective as well as within the mandate of the Panel and the terms of reference of the review itself. SGI's established objective is considered by the

Panel to be the clearest statement of the interests of the Crown corporation in this review.

Terms of Reference

The terms of reference for the Saskatchewan Auto Fund review provide useful and clear direction on the factors to be considered by the Panel and are frequently the basis for the Panel's recommendations.

Public Consultations

The views expressed by the participants in the public consultation process, in meetings and through submissions by way of telephone calls, facsimiles, mail and electronic mail, provide a valuable indication of the interests of the customers of the Saskatchewan Auto Fund and the general public. The Panel is very conscious of these interests in formulating its recommendations.

Consultant's Recommendations

The consultant engaged by the Panel performed a careful and diligent review of all aspects of the proposed rate change and drew the Panel's attention to a number of considerations that are very important in its final recommendations.

RATE ADJUSTMENTS

The proposal to change the rates charged for premiums by the Saskatchewan Auto Fund includes substantial adjustment in the rates charged for specific vehicles or specific classes of vehicles.

The primary rationale for these adjustments is an effort to recognize the loss records of specific classes of vehicles in terms of the ratio of claims losses to premiums.

Wherever the loss record suggests that claims costs have been high relative to the premiums charged, SGI is recommending that premiums increase, within limits, to recover those high costs.

Wherever the loss record suggests that claims costs have been low relative to the premiums charged, SGI is recommending that premiums be reduced to recognize that those vehicles are relatively less expensive to insure.

The rate adjustments proposed by SGI are such that, even in the case of vehicle classes for which there is little change proposed in the average premium, there may be substantial change proposed for the premiums of some vehicles. It is in the nature of re-balancing that some premiums would increase while others would decrease.

The Panel agrees in principle with the objectives of these rate adjustments since it is fair and

reasonable that insurance premiums should equitably reflect the costs of providing insurance coverage within certain parameters.

By the nature of this proposal and its substantial implications for the premiums charged for insurance on certain vehicles, however, it is necessary for the Panel to make specific recommendations on each class of vehicle affected by the proposal under review.

Older Light Vehicles

The SGI proposal provides for adjustments in the premiums charged on pre-1975 cars, trucks, vans and SUVs in the PV classification. SGI has proposed that the premiums for some of these vehicles should increase, with increases ranging from $1 to a maximum of $100 per vehicle. In some cases, this could yield increases of as much as 36 per cent in the cost of insuring older vehicles and could cause substantial instability and inconsistency in the costs of insurance since previous increases were limited to $39 by SGI.

Accordingly, the Panel recommends that rate adjustments on pre-1975 PV cars, trucks, vans and SUVs be restricted such that no increase should exceed $50 per vehicle.

For PV cars, trucks, vans and SUVs between 1975 and 1980, inclusive, SGI proposes to limit any increases in premiums to the lesser of 10 per cent or $100. This could result in some increases in excess of the $50 limit recommended by the Panel for pre-1975 vehicles.

Therefore, the Panel recommends that rate adjustments for PV cars, trucks, vans and SUVs between 1975 and 1980, inclusive, be restricted such that no increase should exceed the lesser of 10 per cent or $50 per vehicle.

Light Vehicles Other than Older

SGI proposes that the insurance premiums for other light vehicles (cars, trucks, vans, farm cars and SUVs) that are 1981 or newer should be adjusted to result in more equal loss ratios among specific models. In some cases, this would result in increased premiums and, in other cases, this would result in reduced premiums. The proposed rate adjustments would be restricted such that no vehicle premium would increase by more than 10 per cent.

SGI also proposes that the 10 per cent discount on the premiums charged for farm cars should be continued, ensuring that the adjustments for farm cars would be similar to those for non-farm cars.

The Panel recommends that the rate adjustments to be applied to cars, trucks, vans, SUVs and farm cars 1981 and newer and farm cars be approved as limited such that no increase should exceed 10 per cent and that the 10 per cent discount for farm cars should continue.

Farm Light Trucks, Farm Light Vans and Farm SUVs

The adjustments proposed by SGI for these classes of vehicles would be restricted such that, in the cases of increase, there would be no increase in excess of 2 per cent. A number of vehicles would experience reductions under these adjustments.

The Panel recommends that the adjustments for Farm Light Trucks, Farm Light Vans and Farm SUVs be approved as proposed by SGI with a maximum increase of 2 per cent.

Farm Heavy Trucks

SGI proposes that the premiums charged on farm heavy trucks (greater than 5,000 kg) be adjusted to reflect loss experience on such vehicles. This would result in reductions in premiums for vehicles between 1980 and 1984, inclusive, no change for 1979 vehicles and vehicles between 1985 and 1987, inclusive, and increases for vehicles newer than 1987 and older than 1979. The increases in the SGI proposal are restricted to 10 per cent except in the case of pre-1979 vehicles where the increases are proposed at $35 per vehicle or 39 per cent.

The Panel feels that the adjustments proposed for this class must be similar to those proposed for farm light vehicles and, therefore, recommends that the premium adjustments for Farm Heavy trucks be restricted such that no increase should exceed 2 per cent.

Farm Trailers and Farm Power Units

A number of minor adjustments were proposed for the rates charged on farm trailers and farm power units.

The Panel concurs with and recommends acceptance of the SGI proposals for farm trailers and farm power units.

Class A and Class C&D Power Units and Heavy Trucks and Vans

The SGI proposal would result in a number of adjustments to these classes with premiums falling in some cases by as much as $765 for Class A Heavy Trucks up to 62,500 kg but rising in some other cases by as much as $300 or 70 per cent.

The Panel noted the need to maintain some stability and consistency in premium rates, especially in an environment where operating costs of heavy vehicles are increasing dramatically. These concerns are balanced against the need for equity and fairness in the treatment of vehicles relative to their respective historical loss performance.

Accordingly, the Panel recommends that adjustments in the premiums for Class A and Class

C&D Power Units and Heavy Trucks and Vans occur subject to the restriction that no increase should exceed the lesser of 25 per cent or $300.

Automobile Dealers

SGI proposes that the premiums on automobile dealer plates be increased by $250 from their current rate of $638 to $888. The Panel notes that this would be a 39 per cent increase in one year, contributing to instability and inconsistency in rates.

Accordingly, the Panel recommends that the premiums for automobile dealer plates should not increase by more than 25 per cent.

Trailer Dealers

SGI proposes that the premiums on dealer plates for trailers be adjusted as follows:

	Current	Proposed	Change	Percentage Change
Utility/Tent trailers	$ 83	$ 103	$ 20	24.1%
Cabin Trailers	$ 571	$ 871	$ 300	52.5%
Gooseneck/Semi Trailers	$ 421	$ 400	$ (20)	(5.0)%

The Panel feels that the increase for cabin trailer dealers would be destabilizing and inconsistent in its effect.

Accordingly, the Panel recommends that increases in the premiums charged to trailer dealers be limited to the lesser of $300 or 25 per cent.

Class PB-Intercity Buses, Class PC-City Buses, Class PS-School Buses and Class PV-Ordinary Buses and Restricted Buses

Some of the vehicles in these classes would receive no increase under the SGI proposal but others would have premiums increase by as much as $300 or 103 per cent. The Panel feels that such significant rate increases would not be fair and reasonable and would be destabilizing and inconsistent.

Accordingly, the Panel recommends that any increases in the premiums charged for Class PB-Intercity Buses, Class PC-City Buses, Class PS-School Buses and Class PV-Ordinary Buses and Restricted Buses be limited to the lesser of $300 or 25 per cent.

Taxis

SGI proposes that the premiums charged for taxis increase by $300 (26 per cent) in small cities (such as Yorkton, Estevan, Weyburn, Melfort and Kindersley), no change in large cities (Battleford, North Battleford, Moose Jaw, Prince Albert and Swift Current), by $300 (12 per cent) in Regina and Saskatoon and from 150 per cent to 175 per cent of the similar passenger vehicles in other locations.

The Panel feels that, in those cases where an increase is proposed, the increase would:

- be particularly destabilizing and inconsistent in an industry that is experiencing significant cost pressures;
- not recognize the reductions in claims loss rates that have occurred in this classification; and,
- in the case of "other taxis", compound the effects of any increases proposed for similar passenger vehicles.

Furthermore, the Panel has concerns with potential inequity in premiums charged to taxis compared to small buses and vans that may be used for similar purposes.

Accordingly, the Panel recommends that increases in premiums charged on taxis:

- ***be limited to the lesser of 2 per cent or $50 in Regina and Saskatoon and small cities***
- ***be unchanged for taxis in large cities; and,***
- ***be limited to the lesser of 10 per cent or $100 for other taxis.***

Motorcycles

SGI proposes rate adjustments for all classes of motorcycles. Motorcycles from 101 to 400 cc. would see premiums reduced but all others would see premium increases of $300. In some cases, this would represent an increase of 87 per cent in premium rates and, in the view of the Panel, would be destabilizing and inconsistent.

Accordingly, the Panel recommends that increases in motorcycle premiums be limited to the lesser of 25 per cent or $150.

Motorhomes

Many motorhomes will see decreased premiums under the SGI proposal but, in some cases, increases will reach $300 or exceed 50 per cent. The Panel feels that this level of increase would be destabilizing and inconsistent.

Accordingly, the Panel recommends that increases in motorhome premiums be limited to the lesser of 25 per cent or $150.

Class TS Commercial Trailers

The SGI proposal would reduce premiums for most of the Class TS Commercial trailers except for an increase of $20 (6 per cent) for trailers valued between $12,000 and $15,000.

The Panel recommends that the premium change proposed by SGI for Class TS Commercial Trailers be approved.

Class T Private Trailers

SGI proposes no change to the premiums on Class T Private Trailers pending the outcome of a risk study currently underway.

The Panel concurs with the proposal from SGI and recommends that the premiums for Class T Private Trailers be unchanged at this time.

Amalgamation of Light Vehicle Premiums

The SGI proposal would lift the current $15,000 cap applied to damage coverage on commercial vehicles, in effect amalgamating their premiums to the corresponding light vehicle, full coverage premiums.

This proposal would shift coverage and premiums from other insurers (including SGI Canada) to the Saskatchewan Auto Fund, since many of these customers, although not all, purchase supplementary insurance to make up for the restricted coverage provided by their Saskatchewan Auto Fund coverage.

The Panel notes that the SGI Saskatchewan Auto Fund Rate Change Terms of Reference compel the Panel to take as given "the compulsory insurance coverages provided by the Saskatchewan Auto Fund through its legislative mandate" (see Appendix A).

The Panel feels, therefore, that whether the coverage under the Saskatchewan Auto Fund is extended for any class of vehicle is a matter of public policy to be resolved through the government decision-making process. It is not within the Panel's mandate for this Saskatchewan Auto Fund review.

The Panel therefore makes no recommendation with respect to the proposal to amalgamate light vehicle premiums.

General Premium Increase

As noted earlier, the SGI proposal involves significant increases and decreases in premiums, depending on the particular vehicle class and vehicle type.

Overall, the changes proposed by SGI would result in increased revenue to the Saskatchewan Auto Fund of approximately $8.3 million in 2001, an amount that equates to approximately 2 per cent of the projected premiums for 2000.

According to the material submitted by SGI, the increase proposed would practically eliminate the accumulated deficit in the Rate Stabilization Reserve, which peaked at $127.9 million in 1997, by the end of 2001.

In an alternative scenario with higher cost increases submitted by SGI, the proposed rate increase would still eliminate the deficit in the Rate Stabilization Reserve by 2003.

The Panel notes that it is obliged by its terms of reference in the Saskatchewan Auto Fund review to consider "the reasonableness of the proposed rate change relative to the Saskatchewan Auto Fund's mandate to operate on a break-even basis over time".

The Panel gave careful consideration to balancing the need for stability within the Saskatchewan Auto Fund against the pressures created for customers and the public by raising rates. Given the financial projections provided with the SGI proposal, it would appear that the Saskatchewan Auto Fund Rate Stabilization Reserve would be in surplus by the end of 2003 even without a rate increase at this time.

Therefore, the Panel feels an overall increase in premium rates is not warranted at this time.

Accordingly, the Panel recommends that the rate adjustments (or re-balancing) should be amended so as to provide no increase in average premiums charged by the Saskatchewan Auto Fund. The Panel recommends that the average increase of 2 per cent proposed by SGI be denied. Rate re-balancing should occur within the limit of no increase in the average premium charged on existing vehicles

Distribution of Adjustments

The Panel understands that, subject to each of the constraints established in these recommendations, the exact distribution of adjustments will have to be recalculated by SGI as administrator of the Saskatchewan Auto Fund.

The Panel recommends that, if the Government accepts The Panel's recommendations with respect to the Saskatchewan Auto Fund rate proposal, SGI report to the Panel with details of a revised rate structure prior to implementation to ensure compliance with the Panel's recommendations.

SUMMARY OF RECOMMENDATIONS

Overall or "Average" Increase

The SGI proposal includes an average increase in premiums of 2 per cent while the Panel's recommended average increase in premiums is 0 per cent.

Reduced Maximum Increases in Re-balancing

There are a number of vehicle classes for which the Panel is recommending a maximum increase less than that proposed by SGI.

Comparison of SGI Proposed and Panel Recommended Maximum Increases

Vehicle Class	SGI Proposed Maximum Increase	Panel Recommended Maximum Increase
Older Light Vehicles - Pre 1975 - 1975 to 1980	$100 Lesser of 10% or $100	$50 Lesser of 10% or $50
Other Light Vehicles	10%	10%
Farm Light Vehicles	2%	2%
Farm Heavy Trucks - pre 1979 - other	$35 10%	2% 2%
Class A, C&D Power Units and Heavy Trucks and Vans	$300	Lesser of 25% or $300
Automobile Dealers	$250	25%
Trailer Dealers	$300	Lesser of 25% or $300
Class PB - Intercity Buses, Class PC - City Buses, Class PS - School Buses, Class PV - Ordinary Buses	$300	Lesser of 25% or $300
Taxis - Regina & Saskatoon and Small Cities - Large Cities - Other	$300 $ 0 $300	Lesser of 2% or $50 $ 0 Lesser of 10% or $100
Motorcycles	$300	Lesser of 25% or $150
Motorhomes	$300	Lesser of 25% or $150

Distribution of Adjustments (Re-balancing)

The exact distribution of adjustments will have to be determined by SGI as administrator of the Saskatchewan Auto Fund with a report to be provided to the Panel by SGI before implementation of the revised rates.

Impact on the Saskatchewan Auto Fund

The Panel's recommended rate changes would reduce the revenue to the Saskatchewan Auto Fund by approximately $8.3 million in 2001, relative to the rates proposed by SGI.

It is the Panel's view that, with continued efforts on the part of SGI to mitigate claims costs, particularly through public safety programs, the Auto Fund's objective of operating on a "break-even basis over time" is achievable within the Panel's recommended rate change.

Impact on Consumers

This recommended rate change would reduce the costs to consumers, relative to the rates proposed by SGI, by approximately $8.3 million per year, or approximately 2 per cent of premiums collected.

The Panel stresses that the information presented represents average impacts of the SGI proposal as compared to the average impacts of the Panel's recommended change. There is substantial variation by vehicle type and class in the impacts of each of these recommendations.

The Panel's recommended changes will make significant differences in the rates charged on some vehicles as the lower ceilings on increases will limit the premiums on some vehicles by as much as $250 relative to those proposed by SGI.

Impact on the Public

The rate changes recommended by the Panel:

- avoid unreasonable increases and contribute to the Auto Fund's mandate of stability, consistency and equity;
- allow the Auto Fund to operate on a break-even basis over time;
- address the Rate Stabilization Reserve Deficit;
- ensure stability and fairness in ratings; and,
- respect the five-year forecast for the Saskatchewan Auto Fund.

It is the Panel's view, therefore, that the package of rate changes recommended by the Panel is fair and reasonable, considering the interests of the customer, the Crown corporation and the public.

Appendix A: Minister's Order - Saskatchewan Rate Review Panel Saskatchewan Auto Fund

MINISTER'S ORDER

Saskatchewan Rate Review Panel
Saskatchewan Auto Fund

WHEREAS by a Minister's Order dated July 27, 2000, issued pursuant to section 16 of *The Government Organization Act*, the Minister of Crown Investments Corporation appointed a ministerial advisory committee known as the Saskatchewan Rate Review Panel.

WHEREAS that Minister's Order provides for specific terms of reference for particular Crown corporation rate change reviews to be attached by further minister's order.

WHEREAS it is desirable to establish terms of reference for a Saskatchewan Auto Fund rate change review and to attach the terms of reference to the previously mentioned Minister's Order.

NOW THEREFORE I hereby amend the said Minister's Order by attaching Appendix A affixed hereto as **"Schedule A: Saskatchewan Auto Fund Rate Change Terms of Reference"** to the said Minister's Order.

Dated at the City of Regina, Saskatchewan, this 10th day of August, 2000.

John T. Nilson

Minister of Crown Investments Corporation

APPENDIX A

Schedule A:
Saskatchewan Auto Fund Rate Change Terms of Reference

Terms of Reference

The Saskatchewan Rate Review Panel (Panel) is requested to conduct a review of the Saskatchewan Auto Fund's request for an overall general rate increase and adjustments to vehicle insurance rates, to be effective January 1, 2001.

The Panel shall provide an opinion of the fairness and reasonableness of the Saskatchewan Auto Fund's proposed rate changes, considering the interests of the customer, the Crown corporation and the public.

In conducting its review, the Panel will consider the following factors:

I. the reasonableness of the proposed rate change relative to the Saskatchewan Auto Fund's mandate to operate on a break-even basis over time;
II. the importance of addressing the Rate Stabilization Reserve (RSR) deficit;
III. the reasonableness of the proposed rate change relative to the rising cost of claims;
IV. the need to ensure stability and fairness in rating; and,
V. the five-year earnings forecast for the Saskatchewan Auto Fund, with and without the proposed rate change.

In conducting its review, the Panel will consider the following as given:

I. the Saskatchewan Auto Fund's forecasted revenues and expenses;
II. the compulsory insurance coverages provided by the Saskatchewan Auto Fund through its legislative mandate;
III. the vehicle rating risk groups used by the Saskatchewan Auto Fund; and,
IV. the accounting and operating policies and procedures used by the Saskatchewan Auto Fund.

It should be noted that SGI CANADA and SGI CANADA Insurance Services Ltd. (SCISL) are separate entities from the Saskatchewan Auto Fund and therefore are not to be considered part of this submission.

The Saskatchewan Auto Fund will provide the Panel with such supplementary information as it may require to fulfill its mandate.

In writing its report, the Panel shall not include in its report information that could be refused disclosure by a government institution pursuant to Section 18 or 19 of *The Freedom of Information and Protection of Privacy Act*.

The Panel is requested to present its report to the Minister of Crown Investments Corporation no later than September 29, 2000.

Appendix B: Report of Raymond G. Ballan, FIIC to the Saskatchewan Rate Review Panel

SASKATCHEWAN GOVERNMENT INSURANCE

Application to
Change Insurance Rates
on
January 1, 2001

Consultant Report to
SASKATCHEWAN RATE REVIW PANEL

Prepared by

Raymond G. Ballan, FIIC,
Site 5, Comp. 9,
RR #3, Nelson, B.C.
V1L 5P6

September 5, 2000

TABLE OF CONTENTS

SUBJECT	Page Number
INDEX OF RECOMMENDATIONS	(i)
SECTION I-GENERAL COMMENTS	
1.0-Purpose	1
2.0-Discussion of financial appendices attached to Saskatchewan Auto Fund Proposal of Rate increases	1
3.0-Auto Fund financial objectives	3
4.0-Rate Stabilization Reserve	8
5.0-Premium Taxes	9
6.0-Claim cost discussion	9
7.0-Rating principles	10
7.1-Stability	10
7.2-Consistency	10
7.3-Equitable Loss Ratio	10
8.0-Incurred but not reported, future adjusting expenses & Unallocated Claims	12
9.0-Administrative Costs	13
10.0-Canadian Loss Experience Rating	14
SECTION 11-RATES	
11.1-Light Vehicles (excluding commercial)	15
11.1.1-Older Light Vehicles	15
11.1.2-Light Vehicles other than Older	18
11.1.2.1-PV Car, Farm Car, Private Light Truck & Private Light Van/SUV	18
11.1.2.2-Farm Light Truck & farm Light Van/SUV	19
11.2-Farm, excluding Light Trucks and Cars	20
11.2.1-Heavy Farm Trucks	20
11.2.2-Farm Power Units	22
11.2.3-Farm Trailer	22
11.3-Commercial Light Vehicles/Amalgamation of Light Vehicle Premiums	23
11.4-Vehicles other than Light	23
11.4.1-Class 'A'-Power Units	24

TABLE OF CONTENTS-CONTINUED

SUBJECT	Page Number
11.4.2-Class 'A'-Heavy Trucks	25
11.5-Class C & D-Power Units, Heavy Trucks/Vans	26
11.5.1-Class C & D-Heavy Trucks/Vans	26
11.5.2-Class C & D-Power Units	28
11.6-Automobile dealers	29
11.7-Cabin trailer dealers	29
11.8-Class PB-Intercity buses	30
11.9-Class PC-City buses	32
11.10-Class PS-School buses	33
11.11-Class PV-Ordinary & Restricted buses	34
11.12-Taxis	34
11.13-Motorcycles	35
11.14-Motorhomes	39
11.14-Class TS-Commercial Trailers	39
11.17-Miscellaneous	40
SECTION 111-SUMMARY	41
SECTION IV-CLOSING COMMENTS	43

INDEX OF RECOMMENDATIONS (I)

Subject	Page Number
Section 1-GENERAL COMMENTS	
7.3-Equitable Loss Ratio	12
8.0-Incurred but not reported, future adjusting expenses & unallocated claims.	13
10.0-Canadian Loss Experience Rating	14
Section 11-RATES	
11.1.1-Older light vehicles	18
11.1.2.1-PV car, farm car, private truck & private light van/SUV	19
11.1.2.2-Farm light trucks, farm light van/SUV	20
11.2.1-Heavy farm trucks	21
11.2.2-Farm power unit	22
11.2.3-Farm trailer	22
11.3-Commercial light vehicles/amalgamation of light vehicle premiums	23
11.4.1-Class A power units	24
11.4.2-Class A heavy trucks	26
11.5.1-Class C & D heavy trucks/vans	27
11.5.2-Class C & D power units	28
11.6-Automobile dealers	29
11.7-Cabin trailer dealers	30
11.8-Class PB-Intercity buses	31
11.9-Class PC-City buses	33
11.10-Class PS-School buses	34
11.11-Class PV-ordinary buses and restricted buses	34
11.12-Taxis	35
11.13-Motorcycles	38
11.14-Motorhomes	39
11.15-Class TS-Commercial trailers	40
11.17-Miscellaneious	40
SECTION 111-SUMMARY	41
SECTION IV-CLOSING COMMENTS	42

SECTION I-GENERAL COMMENTS

1.0-PURPOSE

Consultant Raymond G. Ballan has prepared this report. The consultant was engaged by the Saskatchewan Rate Review Panel to provide assistance to members in their deliberations.

As instructed in APPENDIX A to the Minister's Order, the guiding principle considered in this report is to "provide an opinion of the fairness and reasonableness of the Saskatchewan Auto Fund's proposed rate changes, considering the interests of the customer, the Crown Corporation and the public".

Specifically, APPENDIX A of the Minister's Order directs the Panel to *"consider the following factors:*

I. the reasonableness of the proposed rate change relative to the Saskatchewan Auto Fund's mandate to operate on a break-even basis over time;
II. the importance of addressing the Rate Stabilization Reserve (RSR) deficit;
III. the reasonableness of the proposed rate change relative to the rising cost of claims;
IV. the need to ensure stability and fairness in rating; and
V. the five-year earnings forecast for the Saskatchewan Auto Fund, with and without the proposed rate change."

Further, the APPENDIX instructs *"In conducting its review, the Panel will consider the following as given:*

I. the Saskatchewan Auto Fund's forecasted revenue and expenses;
II. the compulsory insurance coverages provided by the Saskatchewan Auto Fund through its legislative mandate;

III. the vehicle rating risk groups used by the Saskatchewan Auto Fund; and

IV. the accounting and operating policies and procedures used by the Saskatchewan Auto Fund."

The increases applied for average 2% and, if granted, will generate an additional annual premium of 8.2 million dollars based on estimated premiums earned of $435,000,000 for the year 2000.

As 2% is an average increase, some vehicles will have their premiums decreased, some will not change while others may increase. For example, if the proposals are approved, 28% of light vehicles will experience reductions, 38% will be unchanged while the remaining 34% will have increases applied.

Light vehicles account for 87% of premiums earned.

For comparison, the following show increases granted for the ten years prior to 2001.

1991-nil increase	1996-nil increase
1992-3.5% increase	1997-nil increase
1993-4.75% increase	*1998-5% increase
1994-nil increase	1999-2% increase
1995-nil increase	2000-2% increase

*-In addition, the basic deductible was increased from $500 to $700 effective January 1, 1998.

It will be necessary to review each Major Risk Group where premium changes are proposed to determine whether to recommend acceptance of the proposed changes. Individual recommendations follow later in this report.

2.0-DISCUSSION OF FINANCIAL APPENDICES ATTACHED TO SASKATCHEWAN AUTO FUND PROPOSAL OF A RATE INCREASE

Item I of the given factors refers to the Saskatchewan Auto Fund's forecasted revenue and expenses. As the Saskatchewan Auto Fund provided two sets of figures based upon different factors it was necessary to review both sets of forecasted revenues and expenses in order to properly consider factor V *"the five-year earnings forecast for the Saskatchewan Auto Fund, with and without the proposed rate change"* in APPENDIX A of the Minister's Order.

With a presumption of a 2% rate increase in each of the years 2001 through 2004, the two sets of revenues and expenses provided by the Saskatchewan Auto Fund (appendices A, A-1, B and B-1 of their proposal) show the following improvements in the balance at the end of each year.

The differences in the two sets of figures, APPENDIX A and APPENDIX A-1, are explained by the notes at the bottom of each appendix.

The note at the bottom of APPENDIX A states *"The claim forecast for Appendix A was developed with the assistance of the external actuary. While actual claim volumes can fluctuate significantly from year to year causing high volatility in claim costs, the above forecast does not attempt to predict highs and lows for each year, but rather predicts average claims growth based on long-term trends."*

The note at the bottom of APPENDIX A-1 states *"The claim forecast for 2000 – 2004 in appendix A-1 was developed using the actual claims growth in the past five years (1994-1999). Some year's damage and injury costs went up significantly, while other years costs went up only marginally or went down. This illustrates the volatility in claim costs and the need for a Rate Stabilization Reserve (RSR) balance to smooth the amount required for rate increases."*

It is important to realize the difference in the two sets of figures. In short, APPENDIX A is based on actuarial calculations while APPENDIX A-1, is based on past history.

Both appendices assume a rate increase of 2% in each year 2001 to 2004 inclusive.

RATE STABILIZATION BALANCE IMPROVEMENT BY YEAR

	APPENDIX A	APPENDIX A-1
Balance at end of 1999	($62,134,000)	($62,134,000)
2000 Increase to RSR	$44,223,000	$11,832,000
Balance at end of 2000	($17,711,000)	($50,302,000)
2001 Increase to RSR	$17,106,000	$5,457,000
Balance at end of 2001	($ 605,000)	($44,845,000)
2002 Increase to RSR	$20,589,000	$10,311,000
Balance at end of 2002	$19,984,000	($34,534,000)
2003 Increase to RSR	$22,455,000	$41,296,000
Balance at end of 2003	$42,638,000	$6,762,000
2004 Increase to RSR	$25,297,000	$31,591,000
Balance at end of 2004	$67,935,000	$38,553,000

Appendices B and B-1 of the proposal by the Saskatchewan Auto Fund are forecasts based on no rate increase in 2001, but with a rate increase of 2% in each of 2002, 2003 and 2004. These appendices show the following.

RATE STABILIZATION BALANCE IMPROVEMENT BY YEAR

	APPENDIX B	APPENDIX B-1
Balance at end of 1999	($62,134,000)	($62,134,000)
2000 Increase to RSR	$44,423,000	$11,832,000
Balance at end of 2000	($17,711,000)	($50,302,000)
2001 Increase to RSR	$13,239,000	$1,572,000
Balance at end of 2001	($4,472,000)	($48,730,000)
2002 Increase to RSR	$11,667,000	$1,329,000
Balance at end of 2002	$7,195,000	($47,401,000)
2003 Increase to RSR	$12,804,000	$31,358,000
Balance at end of 2003	$19,998,000	($16,043,000)
2004 Increase to RSR	$14,318,000	$20,526,000
Balance at end of 2004	$24,316,000	$4,483,000

As with appendices A and A-1, appendix B is based on a report developed with the assistance of an external actuary while appendix B-1 was developed using the actual claims growth in the past five years.

The difference in the balances at the end of 2004 between appendices A and A-1 is $29, 583,000, for an average difference of $6,000,000 (rounded) per year.

The difference in the balances at the end of 2004 between appendices B and B-1 is similar at $29,883,000.

It is interesting to note the differences in the year end projected balances between:

APPENDIX A-1-based on actual claims growth in the past five years **with a rate increase** of 2% in 2001

and

APPENDIX B – developed with actuarial assistance but **with no rate increase** in 2001.

The differences are:

BALANCE AS OF	**APPENDIX A-1**	**APPENDIX B**
End of 1999	($62,134,000)	($62,134,000)
End of 2000	($50,302,000)	($17,711,000)
End of 2001	($44,845,000)	($ 4,472,000)
End of 2002	($34,534,000)	($ 7,195,000)
End of 2003	$ 6,762,000	$19,998,000
End of 2004	$38,353,000	$34,316,000

It can be seen that the two arrive at a similar balance at the end of 2004. Appendix B, **with no rate increase** in 2001, actually shows a better balance until the end of 2003.

Accordingly, both sets of figures must be considered to determine which one is most likely to happen.

The claims incurred total is the most difficult to predict of all expenses because of the possibility of volatility from year to year.

Two of the most important factors influencing volatility are:

-Bodily injury claims, particularly those involving lawsuits for serious injury or death and

-Catastrophes (hailstorms, tornadoes, ice storms, etc.)

The Personal Injury Protection Plan (PIPP) was introduced into Saskatchewan in 1995. This effectively eliminated the right to sue for Bodily injury or death in the province. In lieu of the right to sue, injured claimants are automatically entitled to certain benefits for loss of income, death, disability and other related items. Manitoba introduced a similar program in 1994. Quebec also does not allow lawsuits for bodily injury or death.

Since the introduction of PIPP, Saskatchewan residents can be sued for Bodily injury or death only in other jurisdictions. Further, the limit available under the Saskatchewan Auto Fund is capped at $200,000. Additional required coverage for higher limits must be purchased through SGI Canada or from private insurers. This report does not encompass SGI Canada's operations.

SGI officials indicated that at the end of 1999 out of province claims accounted for only approximately $20,000,000 (5%) of the total outstanding claims of $384,324,000.

During the first years of PIPP a high amount of volatility could be expected while claims pending under the previous Tort system were negotiated.

During a meeting on August 25th, 2000 SGI officials advised there are approximately 700 Bodily Injury and Death liability claims still open. These claims occurred prior to the introduction of PIPP in 1995 and represent reserves totaling approximately $62,000,000. This works out to just under $90,000 per outstanding claim. The total is not expected to increase dramatically.

Now that the majority of new Bodily Injury and Death claims are replaced by PIPP claims, the claim volatility should decrease substantially, especially

as SGI claims officials have had five years to refine claim-reserving techniques. **Accordingly, on balance, more weight should be given to figures shown in APPENDICES A and B than on those in A-1 and B-1.**

The Proposal for Rate Adjustment by the Auto Fund refers to the possibility of catastrophes such as summer storms causing financial difficulties if revenues are not increased. However, during a meeting on August 25th, 2000 SGI officials confirmed there is reinsurance in place to reduce the effect of such occurrences.

Reinsurance can be compared to insurance purchased by an insurance company to protect against unexpected large losses.

In fairness, it must be mentioned that claims presented under a reinsurance program will result in increases to future reinsurance premiums, not unlike premiums of an individual increasing when claims are presented under a homeowner's policy. The major difference is that there are considerably fewer insurers purchasing reinsurance than there are homeowners purchasing insurance so premium penalties are relatively more severe for insurers if they present losses under their reinsurance programs.

Another indication that more weight should be given to Appendices A and B than to A-1 and B-1 is the Saskatchewan Auto Fund Statement of Operations as of ending July 31, 2000.

It shows an increase to $29,161,000 to the Rate Stabilization Fund for the seven months ending July 31, 2000. This indicates the year end increase to the Rate Stabilization Fund will be closer to the $44,423,000 projected under Appendices A and B. It already exceeds the annual estimate of $11,832,000 projected on Appendices A-1 and B-1.

The actual earned loss ratio (claims incurred divided by premiums earned) to July 31, 2000 is 94.3%. This is between the annual loss ratios of 90% estimated on Appendices A and B and 97% estimated on appendices A-1 and B-1.

The major difference contributing to the improvement as of July 31, 2000 is in the Investment Earnings. They already stand at $42,939,000 compared to annual estimates of $52,700,000 shown on all Appendices.

3.0 AUTO FUND FINANCIAL OBJECTIVES

The Auto Fund operates as a trust fund for Saskatchewan motorists and is administered based upon the following financial objectives.

- -stability;
- -consistency; and
- -equity

For this reason, it is very important that the fund remain on a financially secure basis.

4.0-RATE STABILIZATION RESERVE (RSR)

Although, generally speaking, claim costs increase from year to year, various factors may influence these increases to the point where violent swings can occur in any given year. These swings are not predictable. Reinsurance and the introduction of the Personal Injury Protection Plan in 1995 go a long way to minimize the effects of such changes. However, it is still good common business sense to retain funds in reserve in the event of exceptional swings.

An appropriate Rate Stabilization amount for a Crown insurance corporation with a mandate to break even over the long term is in the range of 15% to 20% of claims incurred. Accordingly, the target of 17% set by the Saskatchewan Auto Fund is appropriately placed within this spread.

Recommendation -Once this target is reached, adjustments should be made on a regular basis to maintain the Rate Stabilization Reserve at between15% and 20% of annual claims incurred.

The stated wish of the Saskatchewan Auto Fund to reach the desired Rate Stabilization Reserve level by the end of 2004 is reasonable however attempts to do so should not be made at the expense of increases or changes in rates which are too dramatic or unreasonable.

It is more appropriate to take a year or two longer to reach the desired level than to impose unreasonable, unaffordable or unfair rate changes.

5.0- PREMIUM TAXES

Although it is not mentioned specifically in the Proposal for Rate Adjustment, the cost of Premium Taxes on the various financial appendices increases in each of 2000 and in 2001. This is due to a change in the rate of provincial tax charged to the Saskatchewan Auto Fund. Until December 31, 1999 the rate charged was 4% of earned premiums. This increased to 5% of earned premiums effective January 1, 2000.

As premium taxes are charged on premiums earned, not premiums written, the full effect of this one percentage point increase to 5% will not be fully felt until 2001. The estimated effect for 2000 is to increase premium taxes on earned premiums to 4.4%.

This increase was not known to or anticipated by the Saskatchewan Auto Fund when rates were increased by an average of 2% effective January 1, 2000. Although it is an unexpected expense, it is more than offset by the surplus of revenues to expenses as of July 31, 2000.

6.0- CLAIM COST DISCUSSION

According to Saskatchewan Auto Fund records, claims costs increase at an average of approximately 5.5% per year. This percentage increase was used to project claims incurred. This is demonstrated in APPENDIX A of the proposal. If a compounded annual percentage increase of 5.5% is applied to actual claims of $384,000,000 until 2004 claims will total $502,296,000 at the end of 2004. The APPENDIX shows an almost identical figure of $502,114,000.

The Proposal for Rate Adjustment confirms that the normal upgrading of vehicles (old for new) results in an average annual increase in vehicle premiums of 3.5% to 4.5%. Auto Fund officials confirmed that the average vehicle age has remained stable for some time at 11.8 years.

If other expenses increase at the same rate of approximately 5.5% along with investment earnings and other income, premium increases averaging 5.5% will maintain the status quo. As vehicle upgrading accounts for 3.5% to 4.5% of the required 5.5%, it follows that a general increase of 1% to 2% will bring the total to 5.5%.

Greater rate increases will be required to amend inadequate rates. Conversely, if rates are already in excess of those required increases of less than 1% or 2% will suffice.

7.0-RATING PRINCIPLES

The three financial objectives governing how Saskatchewan Auto Fund rates are assessed are:

-stability
-consistency; and
-equity

7.1-STABILITY

The corporation's goal of an adequate level in the Rate Stabilization Reserve coupled with its mandate to operate on a break-even basis lends itself to the goal of stability.

7.2-CONSISTENCY

The Proposal for Rate Adjustment states *"Consistency is important because the Auto Fund and its customers should not be burdened with irregular and erratic premium adjustments. To prevent this from occurring, the Auto Fund's philosophy is to implement regular and reasonable rate adjustments."*

Specific items shall be addressed later in this report but if **all** the proposed changes are implemented this goal will not be met. Some proposed increases do not meet these criteria because of their magnitude. Rate increases on older light vehicles are examples. In some cases the proposed rate increase of $100 represents percentage increases in excess of 30% and may be beyond what can be termed as reasonable.

7.3-EQUITABLE LOSS RATIO

At first glance it seems reasonable to assume this means that all classes of major risk groups should have an equal loss ratio.

This is the position taken by the Saskatchewan Auto Fund. On page 9, paragraph 4.1.3(a) of the Proposal for Rate Adjustment, it is stated *"Based on 1999 results, equity would demand that each vehicle rating group must achieve a 'pure' loss ratio of approximately 70%."*

Pure loss ratio is the premium required for losses, with no regard to other expense items such as unallocated claims, taxes, commissions and administrative costs. Accordingly, if seventy cents on the dollar go to assigned claims, then the pure loss ratio is 70%.

There are equally compelling, perhaps more so, arguments that loss ratios need not to be the same for equity to occur. For example, if processing and handling expenses are equal, no matter the type of risk, it follows that the risk with the higher premium will have a greater percentage of the premium remaining to pay claims.

This is illustrated in the following example.

	RISK A	RISK B
Premium	**$1,000**	**$2,500**
Claims at 70% loss ratio	**(700)**	**(1,750)**
Expenses	**(100)**	**(100)**
Funds Remaining	**$200(20%)**	**$650(26%)**

The $200 remaining for Risk A represents 20% of the premium. The $650 remaining for Risk B represents 26% of the premium.

In order for Risk B to produce 20%, ($500), claims would have to total $1900 for a loss ratio of 76%. In other words, equity based on profit is achieved when the loss ratio is 70% for Risk A and 76% for Risk B.

On page 13 of the Proposal for Rate Adjustment by the Fund it is stated "each risk group is required to perform at a loss ratio between 60% and 70%." On page 9 of the proposal the pure loss ratio is stated to be "approximately 70%". This is an indication that the Fund does not have a definite handle as to exactly what the pure loss ratio is. Of course, the pure loss ratio required can vary from year to year depending upon a number of factors, including changes to administration expenses, taxes and commissions. However, once these factors have been estimated for the next year, then it is possible to confirm a pure loss ratio.

Recommendation-For future submittals, the Auto Fund should indicate the specific pure loss ratio required for each class in order to break even.

8.0 INCURRED BUT NOT REPORTED, FUTURE ADJUSTING EXPENSES & UNALLOCATED CLAIMS

Another concern is the provision for Incurred But Not Reported (IBNR) claims. IBNR is not mentioned in the proposal. IBNR is a monetary reserve set aside for claims which have occurred but have not yet been reported to the insurer. It also includes reserves for necessary future increases to known claims.

IBNR provisions for increases to known claims are very important especially for losses involving bodily injuries or deaths in jurisdictions where lawsuits under a tort system are allowed.

Other types of risks will not require such high IBNR provisions. As an example, the need will be considerable for accidents involving injury caused by long haul trucks operating into the litigious United States but the need will be minimal for injuries involving farm vehicles operating only within Saskatchewan as lawsuits are not allowed for bodily injury or death.

The consultant is concerned that the Fund does not have an equitable method of distributing IBNR reserves. Presently they are allocated to various vehicle classes in proportion to the relationship losses for each class bear to overall claims. This raises concerns that proposed rate increases, especially for less hazardous classes, may not be warranted.

Additional reserves are required for future adjusting expenses on old claims. Sufficient information was not supplied to determine whether these are properly apportioned.

Auto Fund officials confirmed that a large number of claims are unallocated. Unallocated claims involve incidents such as hit and run accidents, uninsured motorist claims and losses involving vehicles operating under permit. No insurance premiums are collected for these instances so the cost of settling must be charged back to the motoring public.

Recommendation-It is suggested that IBNR claims, future adjusting expense costs and unallocated claims be reviewed by the Auto Fund to determine if a fairer system to allocate them can be developed.

Examples of the types of questions that need to be answered in such a study are:

-How are such costs distributed among insureds?

-Should the fact that extra provincial Public Service Vehicles have a relatively small percent of kilometres in Saskatchewan have an effect on this distribution?

-Proportionately, what types of vehicles have the most permit claims? Should a premium be charged for permits?

9.0-ADMINISTRATIVE COSTS

The Proposal for Rate Adjustment states "In 2000, $87 is required for each insured vehicle to cover these expenses." This is quite low when compared to other Crown insurance companies, although the estimated charge is a

substantial increase from the $74 reported for 1999. SGI figures show Fund costs are considerably lower than the $242 required by The Insurance Corporation of British Columbia and lower than the $102 required by The Manitoba Public Insurance Corporation.

It is not certain these figures are all calculated on the same basis but the dollar spread is sufficient to confirm the efficiency of the Fund.

The Auto Fund is to be commended at keeping costs so low.

10.0-CANADIAN LOSS EXPERIENCE AUTOMOBILE RATING

The Vehicle Information Center of Canada (VICC) developed the Canadian Loss Experience Automobile Rating (CLEAR) system in order to analyze Canada wide loss experience for passenger vehicles. It develops information for all makes and models by year.

Relative premiums for physical damage for each make and model can be determined from the information developed regarding accident frequency and repair costs. This information is combined with statistics from the Auto Fund to assist in rate setting. The combined information identifies automobiles requiring rate changes. Some of the identified changes are quite dramatic so it is too much to expect they be implemented over one or two years.

The Auto Fund is undergoing a process to adapt CLEAR statistics and ratings to Saskatchewan experience.

Recommendation-The Saskatchewan Auto Fund should continue moving toward the rates indicated by combing SAF and CLEAR statistics with a target completion date of 2004.

SECTION II-RATES

This section shall deal with specific changes requested by The Fund

The Saskatchewan Auto Fund's guiding principles of a maximum average increase of 2% and a maximum increase of 10% (subject to a maximum of $300) are considered by the consultant to be reasonable.

11.1-LIGHT VEHICLES

Although the overall average rate increases proposed would generate an additional 2% in premiums, the proposal for light vehicles is for a maximum premium increase of 10% with the following exceptions.

- Older light vehicles ($100 maximum)
- Light commercial vehicles ($115 maximum on trucks; $144 on sport utility vehicles) and:
- Light farm trucks (2% maximum)

11.1.1-OLDER LIGHT VEHICLES

These are described as pre 1975 and consist of four separate classes. They are:

- -PV cars
- -PV trucks
- -PV vans
- -PV Suvs

As there are only 211 insurance years for pre 1975 vans with an average increase of 15% ($39) and 146 insurance years for pre 1975 Suvs with an average increase of 15.4% ($40), no further discussion is warranted.

An **"insurance year"** is one vehicle insured for 12 months. For example, one vehicle insured for a full year plus one insured for only nine months will result in a total of 1.75 insurance years.

If the proposed rates for vans and Suvs are approved it will result in an estimated net increase in annual revenue of only $14,278, calculated as follows.

PV vans -1974 and prior-211 insurance years with an average rate increase from $265 to $304 produces additional revenue of $8,229.

-1975-76-209 insurance years with an average increase of $1 produces additional revenue of $209.

-Total increase for PV Vans is **$8,438.**

PV Suvs -1974 and prior-146 insurance years at an average increase of $40 produces additional revenue of **$5,840.**

PV Cars and Trucks-The increases for all 1975 to 1980 light PV cars and trucks are within the 10% maximum however the increases for 1974 and prior cars and trucks equate to averages of 27% and 30% (rounded) respectively. **Proposed increases total $1,112,802 for cars and $703,864 for trucks.**

Increases of this magnitude do not support the Auto Fund's rating philosophy of implementing regular and reasonable rate adjustments.

An alternative is to implement the increase in phases. However, this is further complicated by the Fund's methodology of rating. Changes in rating methods are beyond the scope of this report so alternatives must be explored.

To limit the increase to 10% will actually compound the problem. This is due to the process of aging (moving vehicle down to lower rated groups as they get older). For example, this year, vehicles with a 1974 model year and earlier are grouped together. Next year it will be 1975 and earlier. Following on, 1975-76 becomes 1976-77, 1977-78 becomes 1978-79 and 1979-80 becomes 1980-81. This is an accepted insurance principle.

Accordingly, even with a 10% increase in present premiums many 1975-80 vehicles will experience a premium reduction, as they will fall into lower rating groups in 2001. This will result in a **negative impact** on revenue as shown in the following.

10% RATE INCREASE

	Insured Years	Current Average Premium	Increase	Proposed Rate	Revenue Change
PV cars					
1974 and prior	6,924	$287	$29	$316	$200,796
1975-76	3,248	$331	($15)	$316	($48,720)
1977-78	6,077	$379	($13)	$366	($79.001)
1979-80	10,752	$430	($14)	$416	($150,453)
PV Cars total					**($77,453)**
PV trucks					
1974 and prior	4,402	$277	$28	$305	$121,935
1975-76	2,104	$332	($27)	$305	($57,439)
1977-78	3,021	$360	($5)	$355	($15,105)
1979-80	4,926	$362	0	$362	0
PV Trucks total					**$49,391**
GRAND TOTAL					**($28,102)**

Alternately, increases of 15% and 25% will produce the following results.

	15% Rate Increase		25% Rate Increase	
	Rate	Revenue	Rate	Revenue
PV cars				
1974 and prior	$330	$298,078	$359	$ 496,797
1975-76	$330	($3,086)	$359	$ 90,132
1977-78	$380	$6,077	$409	$ 182,310
1979-80	$430	0	$459	$ 311,808
PV cars total				$1,081,047
PV trucks				
1974 and prior	$319	$182,903	$346	$ 304,839
1975-76	$319	($28,299)	$346	$ 29,982
1977-78	$360	0	$375	$ 45,315
1979-80	$377	$73,890	$382	$ 98,520
PV trucks total		$228,494		$ 478,656
GRAND TOTAL		$529,564		**$1,128,913**

Recommendations-1-Approve the proposed increases for older PV vans and PV Suvs.

2-Phase in the increases for older PV cars and PV trucks over two years with a 15% maximum increase in 2001 and a further increase as required of up to 15% on 2001 rates in 2002.

3-The additional 15% in 2002 shall not be part of any proposal for rate increases in 2002 other than it is to be shown for informational purposes and to determine the overall financial status of the Auto Fund.

The result of changing the Fund's proposed increase of $1,816,666 to an increase of $529,564 is a difference of $1,287,102.

11.1.2-LIGHT VEHICLES OTHER THAN OLD

This section covers:

PV Car
Farm Car
Private light truck
Private light van/SUV
Farm light trucks
Farm light vans/SUV

11.1.2.1-PV CAR, FARM CAR, PRIVATE LIGHT TRUCK & PRIVATE LIGHT VAN/SUV

The Auto Fund proposes rate changes that will result in revenue changes as follows.

PV Car	$2,277,669
Farm Car	$ 204,362
Private Light Truck	($ 586,038)
Private Light Van/SUV	($ 494,170)
Total revenue change	**$1,401,823**

This is less than the total proposed revenue increase of $1,830,944 for OLDER LIGHT VEHICLES as covered in Section 11.1.1 of this report.

Accordingly, decreases for model year **1981 and newer** vehicles will total $429,121. The loss ratios are good so this minor revenue adjustment is caused by the move to Canadian Loss Experience Automobile Rating (CLEAR). These adjustments are required to make individual rates more equitable. CLEAR is discussed in Section 10.0 of this report.

The Fund has adopted the practice of discounting private car rates by 10% to arrive at farm car rates. This is a simplistic approach and may result in rates that are either too high or too low for farm cars. The information analyzed was insufficient to determine whether it is fair to rate farm cars this way.

Recommendation-1-Approve the proposed changes for light vehicles other than 'older'.

2-Request The Fund develop sufficient statistics to confirm either:

(i)-the 10% discount for farm cars is fair

or

(ii)-a change to specific individually developed rates is warranted.

11.1.2.2-FARM LIGHT TRUCKS, FARM LIGHT VANS/SUV

The Fund estimates the effects on revenues by the proposed changes as follows:

Farm light trucks	$234,351
Farm light vans/SUV	($ 53,034)
Net change	$181,317

The proposal calls for a maximum 2% increase on any rate. These adjustments are negligible in relation to the overall premium generated by this class and are as a result of rebalancing rates to eliminate the subsidy of premiums for 1987 and newer light trucks by premiums charged for older ones. As no increase is larger than 2% and no increases apply to pre 1987 models, this seems very reasonable.

Recommendation-Approve the proposed changes to a maximum of 2% on any rate.

11.2.-FARM, EXLUDING LIGHT TRUCKS AND CARS

11.2.1-HEAVY FARM TRUCKS

Overall, this class was profitable for the three years ending December 31, 1999. Premiums totaled $40,561,721 against losses of $27,073,746 for a three-year loss ratio of 66.75%. The Auto Fund projects the loss ratio at 66% for 2000.

The major problem is that, on average, older vehicles are profitable and newer ones are not. Three-year loss ratios range from 16% to pre 1990 models and from 81% to 200% for 1991 to 1998 models. The ratio for 1999 heavy farm trucks is 68%.

The following summarizes the Auto Fund Proposal.

Model Year	Insurance Years	Current Rate	Proposed Rate	Rate Change	Revenue Change
To 1978	32,133,42	$ 90	$125	$35	$1,124,670
1979	2,832.52	$125	$125	nil	nil
1980	2,137.53	$160	$125	($35)	($74,814)
1981	2,082.37	$175	$152	($23)	($47,814)
1982	1,164.62	$225	$192	($33)	($38,432)
1983	847.66	$260	$232	($28)	($23,734)
1984	946.38	$282	$272	($10)	($ 9,464)
1985	931.09	$312	$312	nil	nil
1986	1,125.16	$347	$347	nil	nil
1987	724.27	$381	$381	nil	nil
1988	852.72	$402	$415	$13	$11,085
1989	736.46	$415	$457	$42	$30,563
1990	743.90	$439	$473	$46	$31,988
1991	715.32	$457	$503	$46	$32,690
1992	732.75	$478	$526	$48	$35,025
1993	817.49	$498	$548	$50	$40,711
1994	1,152.20	$517	$569	$52	$59,569
1995	1,096.29	$538	$592	$54	$58,980
1996	915.42	$559	$615	$56	$51,172
1997	1,068.14	$582	$640	$58	$62,166
1998	834.21	$611	$672	$61	$50,970
1999	406.85	$664	$730	$66	$27.015
2000	nil	$704	$774	$70	nil
2001	nil	$746	$821	$75	nil
Total Revenue Change					**$1,422,266**

Year 2000 written premium will be close to $14,000,000 so the Proposal calls for an overall increase of 10%. This seems rather high for a profitable class of business, especially when it is probably one of the least volatile classes. There is enough loss experience to indicate claims should not increase at a great rate, especially as vehicles in this class are usually operated within Saskatchewan. The Auto Fund statistics show there are 55,000 insurance years. This means they insure an equivalent of 55,000 units for one full year. There will be more but not all will be insured for a complete year.

The major change is with vehicles of the 1978 model year and prior. The proposed rate increase of $35 is not high in dollar terms but does represent an increase of 38.9%. The main reason for this increase is that the present rate of $90 is not sufficient to cover losses plus expenses even though the loss ratio is very low at 37% for the three years ending December 31, 1999.

The proposal shows large percentage decreases for vehicles of model years 1980 through 1984 although, once again, the dollar changes are not great.

Recommendation-Allow a 2% increase for model year 1988 and newer.
-Allow a $15 increase for model year 1978 and prior.
-Reduce proposed rate decreases to:

1980 $15
1981 $10
1982 $14
1983 $12
1984 $ 4

These recommendations are more consistent with the goal of regular, even changes than are those in the Fund's proposal.

This will reduce the proposed revenue increase by $919,582 to $502,684 as shown on the next page. However, it should be noted that **this will not be an immediate solution to eliminate the inequity in rates** causing poor loss ratios on newer units and good ratios on older units. **It will be necessary to keep adjusting rates for the next two to four years until equity is reached.**

Model Year	Insurance Years	Current Rate	Proposed Rate	Rate Change	Revenue Change
1978 & prior	32,133.42	$ 90	$105	$15	$482,001
1980	2,137.53	$160	$145	($15)	($32,063)
1981	2,082.37	$175	$165	($10)	($20,824)
1982	1,164.62	$225	$211	($14)	($16,305)
1983	847.66	$260	$248	($12)	($10,172)
1984	946.38	$282	$278	($4)	($ 3,786)
1988	852.72	$402	$410	$8	$ 6,822
1989	736.46	$415	$423	$8	$ 5,892
1990	743.90	$439	$448	$9	$ 6,695
1991	715.32	$457	$467	$10	$ 7,153
1992	732.75	$478	$488	$10	$ 7,327
1993	817.49	$498	$508	$10	$ 8,175
1994	1,152.20	$517	$527	$10	$ 11,522
1995	1,096.29	$538	$549	$11	$ 12,059
1996	915.42	$559	$570	$11	$ 10,070
1997	1,068.14	$582	$594	$12	$ 12,818
1998	834.21	$611	$623	$12	$ 10,011
1999	406.85	$664	$677	$13	$ 5,289
2000	nil	$704	$718	$14	$nil
2001	nil	$746	$761	$15	$nil
Total Revenue Change					**$502,684**

11.2.2-FARM-POWER UNIT

Minor changes are proposed for a revenue **increase** of $31,489.

Recommendation-Approve the proposed rates.

11.2.3-FARM-TRAILER

Minor changes are proposed for a revenue **decrease** of $60,951.

Recommendation-Approve the proposed rates.

11.3-COMMERCIAL LIGHT VEHICLES/AMALGAMATION OF LIGHT VEHICLE PREMIUMS

The Auto Fund is amalgamating rates and coverages for light private and commercial classes. The primary reason is so vehicles of like characteristics and uses will have the same premium and coverages.

The main effect of this change is that the $15,000 limit on light commercial vehicles will be removed. This additional cover will effectively offset any rate increases.

Full details can be found on pages 12 and 13 of the Proposal for Rate Adjustment.

Recommendation-The Auto Fund be allowed to proceed as per their proposal

11.4-VEHICLES OTHER THAN LIGHT-

The Auto Fund proposal recommends that rates for the following risk groups be increased by a maximum of $300.

Class A	-Power Units
Class C & D	-Power Units, Heavy Trucks/Vans
Class L	-Auto Dealers
Class LT	-Cabin Trailer Dealers
Class PB	-Intercity Buses
Class PT	-Taxis
Class PV	-Motorcycles with engine capacity > 400cc.

A check of worksheets provided by the Auto Fund also shows increases up to $300 for:

Class A	-Heavy Trucks
Class PB	-Intercity Buses
Class PC	-City Buses
Class PS	-School Buses
Class PV	-Motorhomes
Class TS	-Semi Trailers

11.4.1-CLASS 'A'-POWER UNITS

These large units are rated according to their gross vehicle weight in kilograms. The only exception is that all units aged 1975 and prior are in the same rating group. There are less than 10 such older units.

Units with a gross vehicle weight in excess of 35,000 kilograms account for 97% of the premiums in this rate class.

The Auto Fund is moving toward a compression of the rating groups. This will facilitate a move to rating by model year and value and will eventually result in better statistics. Many of the rating groups do not have enough insured units to develop credible statistics.

The following demonstrates the effect of the proposed rate changes.

RATE GROUP	Insurance Years	Current Rate	Proposed Rate	Rate Change	Revenue Change
1975 & prior	6.11	$ 300	$ 350	$ 50	$ 306
To 10,000 kg	1.28	$ 426	$ 726	$300	$ 384
To 13,000 kg	0.58	$ 677	$ 726	$ 49	$ 28
To 18,000 kg	7.39	$ 787	$1,026	$239	$ 1,766
To 22,000 kg	31.65	$ 873	$1,026	$153	$ 4,842
To 26,000 kg	21.22	$ 977	$1,201	$224	$ 4,753
To 30,000 kg	55.96	$1,023	$1,201	$178	$ 9,961
To 34,000 kg	57.13	$1,101	$1,201	$100	$ 5,713
To 35,000 kg	10.31	$1,170	$1,470	$300	$ 3.093
TO 38,000 kg	169.87	$1,238	$1,470	$232	$ 39,410
To 40,000 kg	1,347.28	$1,344	$1,470	$126	$ 169,757
To 42,000 kg	11.68	$1,513	$1,769	$256	$ 2,990
To 47,000 kg	1,057.64	$1,699	$1,769	$ 70	$ 74,035
To 50,000 kg	146.59	$1,814	$1,769	($45)	($ 6,597)
To 57,000 kg	153.62	$2,015	$2,043	$ 28	$ 4,301
To 62,500 kg	1,305.69	$2,246	$2,043	($203)	($265,258)
Total Revenue Increase					**$ 49,485**

Recommendation-Approve the proposed rates.

11.4.2-CLASS 'A'-HEAVY TRUCKS

The auto fund is consolidating rating groups for these units the same as for Power Units. This also will result in more credible statistics in the long run.

The proposal is for the following.

RATE GROUP	Insurance Years	Current Rate	Proposed Rate	Rate Change	Revenue Change
1975 and prior	9.85	$ 300	$ 350	$ 50	$ 493
To 10,000 kg	304.18	$ 426	$ 726	$300	$ 91,254
To 11,000 kg	20.91	$ 617	$ 726	$109	$ 2,279
To 13,000 kg	62.91	$ 677	$ 726	$ 49	$ 3,083
To 15,000 kg	207.52	$ 778	$ 873	$ 95	$ 19,714
To 18,000 kg	36.98	$ 787	$ 873	$ 86	$ 3,180
To 22,000 kg	54.41	$ 873	$ 873	nil	$ 0
To 26,000 kg	129.01	$ 977	$1,023	$ 46	$ 5,934
To 30,000 kg	14.59	$1,023	$1.023	nil	$ 0
To 34,000 kg	7.06	$1,101	$1,181	$ 80	$ 565
To 35,000 kg	2.82	$1,170	$1,181	$ 11	$ 31
To 38,000 kg	4.63	$1,238	$1,181	($57)	($ 264)
To 40,000 kg	25.38	$1,344	$1,181	($163)	($ 4,137)
To 42,000 kg	2.29	$1,513	$1,270	($243)	($ 556)
To 50,000 kg	21.10	$1,635	$1,270	($365)	($ 7,702)
To 54,000 kg	23.34	$2,045	$1,392	($653)	($ 15,241)
To 62,500 kg	0.32	$2,157	$1,392	($765)	($ 245)
Grand Total					**$ 98,389**

Rate decreases in excess of $300 are proposed for units in excess of 42,000 kg. as follows.

To 50,000 kg-$365
To 54,000 kg-$653
To 62,500 kg-$765

The consultant believes these reductions are excessive in view of the dearth of statistical data. There are less than 45 insurance years in total for these classes. One loss of any consequence will effectively use all the premiums and generate a request for rate increases in subsequent years.

Recommendation-Approve the proposed rate changes except that the maximum rate reduction be limited to $300. This will have the effect of increasing the anticipated revenue by $9,602 from $98,389 to $107,991 as follows.

To 50,000 kg	21.10 insurance years @ $ 65 = $1,372
To 54,000 kg	23.34 insurance years @ $352 = $8,261
To 62,500 kg	0.32 insurance years @ $465 = 14
	$9,602

11.5-CLASS C & D-POWER UNITS, HEAVY TRUCKS/VANS

These insureds are a relatively small portion of the overall number of automobiles insured by the Auto Fund but represent a significant premium on per unit basis. Present rates range from $250 to $2,067. If the proposed changes are implemented the rates will change from a low of $300 to a high of $1,800 with a net change in revenue of approximately $2,300,000.

11.5.1-CLASS C & D-HEAVY TRUCKS/VANS

The three-year loss ratio for 1997-99 was 72.9% with a slight improvement to 69% forecast for 2000. Annual premiums approach $10,000,000.

The major problem lies with trucks with a GVW of up to 12,000 kg. The three-year loss ratio was 117% with a forecast of 102% for 2000. Loss ratios for other groups are quite acceptable, with projected 2000 loss ratios ranging from 42% to 54%.

Pertinent information is shown in the following chart.

RATE GROUP	INSURANCE YEARS	LOSS RATIO	CURRENT RATE	PROPOSED RATE	RATE CHANGE	REVENUE CHANGE
PRE 1976	972.11	22%	$ 250	$ 300	$ 50	$ 48,605
TO 12000 KG	3,007.39	102%	$ 438	$ 738	$300	$ 902,217
TO 20000 KG	3,494.50	54%	$ 538	$ 738	$200	$ 698,901
TO 30000 KG	2,413.53	43%	$ 687	$ 805	$118	$ 284,797
TO 40000 KG	573.77	52%	$ 870	$ 850	($20)	($ 11,475)
TO 50000 KG	102.01	42%	$1,160	$ 987	($173)	($ 17,647)
TO 62500 KG	38.03	51%	$1,464	$1,184	($280)	($ 10,649)
TOTAL REVENUE CHANGE						**$1,894,748**

The proposed changes present a rating problem. There is no doubt the $300 increase is warranted for heavy trucks to 12000 kg. However, the rates for the next two rating groups, to 20000 kg and to 30000 kg, must be at least as high, preferably higher, as the rate for units to 12000 kg. This is necessary to maintain orderly rating and a spread of premium.

The 3-year loss ratios and percentage of the overall premium income for these three rate groups are:

RATE GROUP	LOSS RATIO	% OF OVERALL PREMIUM
TO 12000 KG	102%	37%
TO 20000 KG	54%	25%
TO 30000 KG	44%	24%
		86%

It is not equitable to raise the rate by $200 (37%) for trucks in the rate group to 20000 kg as the loss ratio is only 54%. Likewise, a raise of $118 (17%) will also be hard to justify for the rate group to 30000 kg with a loss ratio of only 44%. These increases will be especially difficult to justify as the proposal calls for a rate reduction for heavier trucks with similar loss ratios, as follows.

RATE GROUP	LOSS RATIO	CURRENT RATE	NEW RATE
TO 40000 KG	52%	$ 870	$ 850
TO 50000 KG	42%	$1,160	$ 987
TO 62500 KG	50%	$1,464	$1,184

The numbers of insurance years for the two highest rating groups are low so statistics lack credibility.

Recommendation-Approve the following rates in lieu of those proposed.

RATE GROUP	INSURANCE YEARS	CURRENT RATE	PROPOSED RATE	RATE CHANGE	REVENUE CHANGE
PRE 1976	972.11	$ 250	$ 300	$ 50	$ 48,605
TO 12000 KG	3,007.39	$ 438	$ 638	$200	$ 601,478
TO 20000 KG	3,494.50	$ 538	$ 683	$250	$ 506,703
TO 30000 KG	2,413.53	$ 687	$ 767	$100	$ 193,082
TO 40000 KG	573.77	$ 870	$ 870	nil	$ 0
TO 50000 KG	102.01	$1,160	$1,160	nil	$ 0
TO 62500 KG	38.03	$1,464	$1,464	nil	$ 0
TOTAL REVENUE CHANGE					$1,349,868

Although these rates will create a shortfall of $544,880 from those proposed they will still provide a substantial overall increase in this class and should lower the loss ratio to less than 70% in 2001. Also, they are fairer to insureds with vehicles in the profitable rate groups.

11.5.2-CLASS C & D-POWER UNITS

This class produces approximately $5million in annual premiums. Current rates range from $250 to $2,067. The three year overall loss ratio is 84.8% with a loss ratio of 83.2% projected for 2000.

The proposal calls for rate increases of $50 to $300 and one rate reduction of $267 on the highest rate group. This will result in additional annual revenue of $402,914. The loss ratio for 2001 is projected at 80.9% if proposed rate changes are implemented.

The overall increase is warranted in view of the projected losses. If they continue to be as high, further increases will be required for 2002.

The following summarizes the proposed changes.

RATE GROUP	INSURANCE YEARS	CURRENT RATE	PROPOSED RATE	RATE CHANGE	REVENUE CHANGE
Pre 1976	50.50	$ 250	$ 300	$ 50	$ 2,525
To 10000 kg	34.26	$ 438	$ 738	$300	$ 10,278
To 20000 kg	89.04	$ 538	$ 738	$200	$ 17,808
To 30000 kg	249.38	$ 705	$ 805	$100	$ 24,938
To 35000 kg	145.03	$ 883	$ 983	$100	$ 14,503
To 36000 kg	351.29	$ 983	$1,283	$300	$105,387
To 40000 kg	1,160.26	$1,244	$1,456	$212	$245,975
To 45000 kg	111.28	$1,326	$1,626	$300	$ 33,384
To 50000 kg	762.99	$1,571	$1,626	$ 55	$ 41,964
T0 55000 kg	100.41	$1,700	$1,800	$100	$ 10,041
To 62500 kg	274.45	$2,067	$1,800	($267)	($73,278)
TOTAL REVENUE CHANGE					**$402,914**

Recommendation-Approve the proposed rates.

11.6-AUTOMOBILE DEALERS

The 2000 rate is $638 per dealer plate. The proposal calls for an increase of $250 per plate to set the new rate at $888. This is a large percentage increase of 39%.

Auto Fund projections for 2000 show an estimated loss ratio of 81%. The Fund's estimate is that the loss ratio will be reduced to 70% if the rate is increased to $888. A simple method of **estimating** the rate required is to divide the present loss ratio by the desired loss ratio and multiply the result by the current premium. For example to convert the estimated year 2000 loss ratio of 81% to 70% it is necessary to divide 81 by 70 and multiply the answer by $638. The indicated new rate is $738.

This is a very simplistic approach as other factors such as loss frequency changes, cost increases, the volatility of the insured risks etc need to be considered. A 70% loss ratio may be too high.

Without complete figures a better rough target to aim for is 65%. 81 divided by 65 times $638 is $795.

Recommendation-Increase the rate by $157 from $638 to $795 rather than to the proposed rate of $888.

This will result in a reduction in the anticipated revenue increase of $472,110 instead of the $751,768, which would be expected, with an increase to $888.

11.7-CABIN TRAILER DEALERS

The proposal calls for the following.

Utility/tent trailer dealers-The proposed rate increase is from $83 to $103 for approximately 107 plates. The three-year loss ratio is 73%. The additional premium of $20 per plate will produce an annual **additional premium of $2,144.**

Cabin Trailers-The proposed rate increase is from $571 to $871 for approximately 122 plates. The three-year loss ratio is 207%. This will produce an **annual additional premium of $36,474.**

Although the proposed increase for cabin dealers is high, it is warranted due to the loss ratio.

Gooseneck/semi trailer dealers-The proposal calls for a rate reduction from $421 to $401 on each of approximately 53 plates. Losses are negligible. The premium income change will be insignificant.

Recommendation.-Approve the proposed rates.

11.8-CLASS PB-INTERCITY BUSES

There are less than 300 distributed among four rating classes based upon seating capacity. Each rating class has five rating groups depending upon the age of the bus.

Loss ratios are inconsistent due to the limited number of risks within each class however the loss ratio for the three years of 1997-99 was a poor 105%. It is projected to be 99% for 2000.

Present rates range from $600 to $1,484. Proposed rate increases of $nil to $300 will amend rates to a range of $600 to $1,784. Even with these increases, the projected loss ratio for 2001 is still 90%.

The following summarizes the proposal for intercity buses.

	Insurance Years	Current Rate	Proposed Rate	Rate Increase	Revenue Increase
9 & Less seats					
1981 & older	5.76	$ 600	$ 600	nil	nil
1982-1986	20.67	$ 650	$ 750	$100	$ 2,067
1987-1992	38.87	$ 750	$ 700	$200	$ 7,774
1993-1998	44.05	$ 750	$1,000	$350	$11,013
1999-2004	2.54	$ 800	$1,100	$300	$ 762
10-15 seats					
1981 & older	1.00	$ 550	$ 550	nil	nil
1982-1986	4.23	$ 600	$ 600	nil	nil
1987-1992	8.65	$ 750	$ 800	$ 50	$ 433
1993-1998	24.42	$ 850	$ 850	nil	nil
1999-2004	5.13	$ 950	$1,000	$ 50	$ 257
16-24 seats					
1981 & older	0	$ 730	$ 730	nil	nil
1982-1986	0.74	$ 780	$ 780	nil	nil
1987-1992	1.79	$ 830	$ 850	$ 20	$ 36
1993-1998	1.89	$ 880	$ 880	nil	nil
1999-2004	0.93	$ 950	$1,000	$ 50	$ 47
25 & greater					
1981 & older	25.65	$1,000	$1,300	$300	$ 7,695
1982-1986	29.61	$1,161	$1,461	$300	$ 8,883
1997-1992	36.13	$1,222	$1,522	$300	$10,539
1993-1998	34.47	$1,384	$1,684	$300	$10,341
1999-2004	2.33	$1,484	$1,784	$300	$ 669
Total Proposed Revenue Change					**$60,544**

Recommendation-Approve the proposed rates with the following exception.

Exception-The rate for 1981 and older buses in the 10 to 15 seating category class be amended to $600 so it is equivalent to the rate for the 9 & less seats category. It does not make sense to have it lower. Only one bus is in this rating class so the difference in revenue will be negligible.

11.9-CLASS PC-CITY BUSES

There are four rating classes. These classes are:

-9 & less seats
-10 to 15 seats
-16 to 24 seats
-25 seats & greater

Each class is broken down by age of the insured buses.

Two classes are not profitable. The class for 9 & less seats produced a three-year loss ratio of 328.4%. The class for 25 & greater produced a loss ratio of 87%. Rate increases have been proposed as follows.

	Insurance Years	Current Rate	Proposed Rate	Increase	Revenue Increase
9 & less seats					
1984 & older	28.87	$292	$592	$300	$ 8,661
1985-1992	21.36	$325	$625	$300	$ 6,408
1993-2000	33.40	$410	$710	$300	$10,020
2001-2004	0.00	$434	$734	$300	nil
10 to 15 seats					
1984 & older	4.51	$507	$507	nil	nil
1985-1992	31.07	$607	$607	nil	nil
1993-2000	43.62	$696	$696	nil	nil
2001-2004	0.00	$737	$737	nil	nil
16 to 24 seats					
1984 & older	2.00	$666	$666	nil	nil
1985-1992	1.98	$732	$732	nil	nil
1993-2000	5.44	$798	$798	nil	nil
2001-2004	0.00	$845	$845	nil	nil
25 & greater					
1984& older	98.51	$1080	$1180	$100	$ 9,851
1985-1992	105.10	$1146	$1246	$100	$10,510
1993-2000	34.97	$1262	$1462	$200	$ 6,994
2001-2004	0.00	$1337	$1637	$300	nil
Total proposed revenue change					**$52,444**

In view of the overall loss ratio, 51.9%, for city buses there is no overwhelming need to increase total income but changes are required in the two classes with high loss ratios.

The increase for buses with seating capacity of 25 & greater is not a great problem as 85%, approximately 204 buses, will experience an increase of

only $100. An increase of $200 will apply to the remaining 15%. There are not yet any buses insured in the 2001-2004 category.

The $300 increase for buses with a seating capacity of 9 & less will present a problem as the rates will be higher than those for buses with a capacity of 10 to 15.

Recommendation-1-Approve the proposed rates for buses with a seating capacity of 25 & greater.

-2-Allow an increase of $150 on buses with a seating capacity of 9 & less.

This recommendation will reduce the anticipated increase in earnings by $7,534 from $52,444 to $44,910.

11.10-CLASS PS-SCHOOL BUSES

The Auto Fund proposal calls for an overall annual premium increase of approximately 15% ($82,479) for 2001. It represents an average increase of $25 per bus on 3,287.92 insurance years. This is due to a three-year loss ratio of 78.1%.

The following summarizes the proposal.

	Insurance Years	Current Rate	Proposed Rate	Rate Increase	Revenue Change
24 seats or less					
1986 & older	147.32	$140	$140	$ 0	$ 0
1987-1990	243.65	$183	$233	$50	$12,183
1991-1994	147.92	$197	$233	$36	$ 5,325
1995-1998	70.97	$222	$257	$35	$ 2,484
1999-2002	16.23	$237	$257	$20	$ 235
25 seat & more					
1986 & older	827.21	$140	$180	$40	$33,088
1987-1990	870.90	$175	$203	$28	$24,385
1991-1994	470.46	$197	$203	$ 6	$ 2,833
1995-1998	399.95	$217	$217	$ 0	$ 0
1999-2002	93.91	$237	$257	$20	$ 1,866
Total increase					**$82,479**

These increases do not develop substantial additional premiums but schools are generally under severe financial pressure. The additional income will make very little difference to the Fund's overall performance. Accordingly, it may be wise to phase in the increases.

Recommendation-Approve rate increases of 50% of changes proposed for 2001 with the remaining 50% approved for 2002.

This will mean an estimated shortfall in projected premiums of $41,240.

11.11-CLASS PV-ORDINARY BUSES AND RESTRICTED BUSES

Changes are negligible for these classes but one increase is in excess of 10%. Ninety restricted buses will see their premiums rise by $50 from $190 to $240. This will be more than offset by decrease to rates of ordinary buses.

Altogether, expected annual income for ordinary buses is calculated to decrease by $6,061 while premiums from restricted buses will increase by $4,615 for an overall reduction of $1,446.

Recommendation-Approve the proposed rates.

11.12-TAXIS

There are four rates dependent on the location of the taxi. The rating territories are:

-small city (106 taxis)
-large city (75taxis)
-Regina and Saskatoon (300 taxis)
-other

The requested increase in the **small city category** is $300 from $1,145 to $1,445. The three-year loss ratio is 87%. The projected loss ratio for 2000 is 86%. The requested rate changes will provide an additional annual income of $31,767.

No change is requested for taxis **in large cities**.

The requested increase in **Regina and Saskatoon** is $300 from $2,535 to $2,835. Even with this increase a loss is expected for 2001 as the loss ratio for 1997-99 was 117% and is projected at 115% for 2000.

The fourth category, OTHER, includes just over 200 taxis in small towns and rural areas. They are now charged 150% of the private passenger rate for identical automobiles. A newer taxi is charged in the range of $1,000 to $1,200. The Fund's proposal is to change the rates to 175% of private passenger rates, for an increase of about $200 for most. This is warranted in view of the high three-year loss ratio of 219%.

Recommendation-Approve the proposed rates.

11.13-MOTORCYCLES

The Auto Fund categorizes motorcycles in 7 rating classes depending upon engine capacity. The classes are:

-100 cc or less
-101 to 400 cc
-401 to 50 cc
-751 to 1100 cc
-1101 to 2000 cc
-2001 to 5000 cc
-over 5000 cc

There are less than 100 motorcycles with an engine capacity of 100 cc or less. The Fund has not proposed any rate changes for this class so comments are not required.

There are no insured motorcycles with an engine capacity in excess of 2000 cc so discussion is unnecessary. Rating classes have been put in place for these larger motorcycles for future use.

To state the loss experience has been disastrous over the three years of 1997-99 would be to put it mildly. Overall, it has been 309.4%. The Auto Fund is

not alone with this problem as most insurers have a poor loss experience with this class.

The Fund proposes an increase of $300 for all premiums for motorcycles with an engine capacity in excess of 400cc.

Further, the Fund proposes a reduction in rates for motorcycles with an engine capacity of 101 to 400 cc. This request is based upon a good three-year loss ratio for these motorcycles.

The following shows the present and proposed rates along with the estimated revenue change for the proposal.

ENGINE CAPACITY	INSURANCE YEARS	CURRENT RATE	PROPOSED RATE	RATE CHANGE	REVENUE CHANGE(1)	REVENUE CHANGE(2)
101-400CC						
1982 & Prior	167.80	$210	$ 134	($76)	($11,161)	($12,753)
1983-86	88.83	$225	$ 164	($61)	($ 5,171)	($ 5,419)
1987-92	37.53	$241	$ 188	($53)	($ 2,035)	($ 1,989)
1993-96	13.61	$261	$ 208	($53)	($ 724)	($ 721)
1997-2000	17.50	$281	$ 228	($53)	($ 932)	($ 928)
2001-04	0	$297	$ 241	($56)	$ 0	0
401-750cc						
1982 & prior	518.88	$343	$ 643	$300	$111,110	$155,664
1983-86	547.80	$443	$ 743	$300	$128,826	$164,340
1987-92	177.91	$553	$ 853	$300	$ 44,485	$ 53,373
1993-96	103.38	$623	$ 923	$300	$ 26,585	$ 31,014
1997-2000	111.21	$703	$1,003	$300	$ 29,008	$ 33,363
2001-04	0	$745	$1,045	$300	$ 0	0
751-1100cc						
1982 & prior	302.48	$490	$ 790	$300	$ 63,309	$ 90,744
1983-86	354.88	$595	$ 895	$300	$ 80,015	$106,464
1987-92	141.46	$645	$ 945	$300	$ 32,610	$ 42,438
1993-96	158.05	$720	$1,020	$300	$ 37,304	$ 47,415
1997-2000	176.74	$770	$1,070	$300	$ 42,569	$ 53,415
2001-04	0	$816	$1,116	$300	$ 0	0
1101 to 2000cc						
1982 & prior	259.96	$563	$ 863	$300	$ 55,171	$ 77,988
1983-86	283.21	$685	$ 985	$300	$ 64,764	$ 84,963
1987-92	358.32	$757	$1,057	$300	$ 84,872	$107,496
1993-96	300.83	$829	$1,129	$300	$ 72,598	$ 90,249
1996-2000	385.56	$902	$1,202	$300	$ 95,197	$115,669
2000-04	0	$956	$1,256	$300	$ 0	0
GRAND TOTAL					*$948,398	*$1,232,428

*-Two separate revenue forecasts have been made. The increase in revenue of $1,232,428 in the second column is calculated by multiplying the rate

increases by the number of insurance years. This is also the method used for all other types of rate increases.

The increase of $948,938 seems to be the one used by the Auto Fund in calculating their 2001 projected income but is based on earned premiums rather than on written premiums. Calculations provided by the Fund for all other classes are on a written basis. The number of motorcycles has not been increasing and there is a trend to use them for shorter periods each year.

The consultant believes the figure of $1,232,428 is more accurate as it is based on the number of insured years. If the trend is to shorter insured periods for motorcyclists, the consultant believes a more reliable increase in the written premium is in the range of $1,100,000 to $1,150,000.

Auto Fund motorcycle premiums for 2000 will be close to $2,700,000 so the projected increase in revenue is very high in proportion to present premium income. Still this will only go part way to covering losses that averaged $5,500,000 for each of 1997, 1998 and 1999.

Proposed rate percentage increases are most severe for motorcycles with an engine capacity of 401 to 750 cc as they presently have the lowest premiums. Also, percentage increases are higher on older motorcycles than on new. Individual increases range from 31.4% to 87.5%.

Much of the increase is required for Personal Injury Protection Plan (PIPP) claims. With physical damage insurance (collision, theft, etc.) claim severity can be expected to be the greatest on newer, high-powered expensive units. This does not hold true for PIPP claims where the most important factor is usually the severity of the injury.

Information supplied to The Fund by the Canadian Loss Experience Rating System indicates a requirement of $1,699 per motorcycle just to cover liability and injury claims plus administration.

In view of the large shortfall between claims paid and premiums earned the consultant believes the increases for motorcycles with an engine capacity in excess of 400cc is justified. However, the wisdom of reducing rates for those

with an engine capacity of 101 to 400 cc is questionable. There are two basic reasons to reconsider these premium reductions.

First, the Auto Fund advises that reductions are proposed because the loss experience is good. Upon studying statistics supplied by the Fund it can be seen that the loss numbers are skewed as they actually show a negative balance of $131,023 for the three years of 1997 to 1999. Specific claim information was not available but this type of claim history could only occur due to reductions in pre 1997 losses on which excessive reserves were later removed.

Also, if the rates are reduced it will leave a huge gap between rates for motorcycles with an engine capacity of 401 to 750 cc as follows.

RATE GROUP	101-400CC	401-750CC
1982 and prior	$134 (210)	$643 (343)
1983-1986	$164 (225)	$743 (443)
1987-1992	$188 (241)	$853 (553)
1993-1996	$208 (261)	$923 (623)
1997-2000	$228 (281)	$1003(703)
2001-2004	$241 (297)	$1045(745)

(Present rates are in parenthesis)

A difference of between $509 to $804 for motorcycles of like size (say 350cc vs. 450cc) is not logical.

Recommendation-1-Approve the proposed rate increases.

-2-Disallow the proposed rate decreases. Further the Auto Fund should be asked to consider an increase of $300 on motorcycles with an engine capacity of 101 to 400 cc because of the skewed statistics and to keep a reasonable progression in the rates. This will result in an increase of $20,023 in the expected revenue.

-3-Recommend to the Auto Fund that the written premium estimate be increased by a minimum of $250,000.

11.14-MOTORHOMES

Currently, the Auto Fund rates motorhomes according to value and age. There are five rating classes in each value group, based on the age of the motorhome.

For 2001, the Fund will rate according to value only. Appendix A of the Minister's Order indicates *"the vehicle rating risk groups used by the Saskatchewan Auto Fund"* is a given. Therefore, all that can be done here is to comment on the rates.

In 2001 there will be one 'averaged' rate rather than five rates for each rating class.

The new rate structure will see a small increase in rates for motorhomes built before 1984 valued at $100,000 or less. Rates will be decreased for newer units valued to $100,000.

Rate classes have been added to incorporate units worth in excess of $100,000. Even for these higher valued risks only a few will be charged more in 2001. Altogether, there are less than 150 insured units valued in excess of $100,000. Of these, about 15 will see rate increases.

The new rates will produce an overall estimated annual premium **reduction** of $97,084. The loss ratio for the three years of 1997-99 was a relatively low 55.8%.

Recommendation-Confirm the new averaged rates.

11.15-CLASS TS-COMMERCIAL TRAILERS

The overall three-year loss ratio is good at 58% but trailers valued by their owners at $12,000 to $15,000 have a relatively high loss ratio of 71.4%.

$15,000 is the highest value insurable under the Auto Fund as claim payments are limited to that amount. Cover for values in excess of $15,000

must be purchased through SGI Canada or from a private insurer. It is probable that most trailers insured in this category are worth well in excess of $15,000 so a partial loss may well use up the entire $15,000. This is unlike lesser-valued trailers where partial losses will probably not reach the maximum insured value.

The following figures show the Auto Fund is attempting to correct this inequity by increasing the premiums on trailers insured for $12,000 to $15,000 and reducing premiums for lesser-valued commercial trailers. The resultant overall anticipated increase in annual revenues is minor compared to the present annual premium total in excess of $4,000,000 for this class.

	Insurance Years	3Year Loss Ratio	Current Rate	Proposed Rate	Rate Change	Revenue Change
$2000 or less	5516.17	18.8%	$ 40	$ 36	($4)	($22,065)
$2001-$5000	4596.41	26.8%	$ 77	$ 69	($8)	($35,392)
$5001-$7000	1575.20	37.3%	$121	$109	($12)	($10,060)
$7001-$10000	1943.93	40.4%	$170	$153	($17)	($33,047)
$10001-$12000	644.33	44.4%	$210	$189	($21)	($13,531)
$12001-$15000	8112.15	71.4%	$351	$371	$20	$162,243
Total Revenue Increase						**$ 39,148**

Recommendation-Approve the proposed rate changes.

11.17-MISCELLANEOUS

There are a number of other small changes which will not greatly affect the overall performance of the Fund or create hardships for insureds.

Recommendation-Approve all other rate increases on a 'carte blanche' basis, subject to a maximum rate increase of 2% on any one premium.

SECTION III-SUMMARY

If the recommendations in this report are followed, increases totaling approximately $8,200,000 proposed by the Auto Fund will be reduced by $3,050,000 (rounded) to $5,150,000.

Specific annual written income changes as a result of the recommendations are:

	Fund Proposal	Consultant's Proposal	Change	Page #
DECREASES:				
-Older Light Vehicles	$1,816,666	$ 529,564	$1,287,102	18
-Farm-Heavy Trucks	$1,422,266	$ 502,684	$ 919,582	21
-Class C&D-Heavy Trucks	$1,894,748	$ 1,349,868	$ 544,880	28
-Automobile Dealers	$ 751,768	$ 472,110	$ 279,658	29
-Class PC-City Buses	$ 52,444	$ 44,910	$ 7,534	33
.-Class PS-School Buses	$ 82,479	$ 41,239	$ 41,240	34
TOTAL DECREASE			**$3,079,996**	
INCREASES:				
-Commercial A-Heavy Truck	$ 98,389	$ 107,991	$ 9,602	26
-Motorcycles	* $ 948,398	$ 968,421	$ 20,023	38
-TOTAL INCREASE			**$ 29,625**	
NET REVENUE DECREASE			**$3,050,371**	

*$948,398 is based on earned, not written, premiums. If written premiums are used the estimate will be $1,232,428. The consultant believes the correct figure to use is $1,252,451. All other Fund figures in the column are based on written premiums.

The recommendations for changes to the Fund's proposals have been made with the goals of making reasonable rate changes which fall within the five factors listed in the Minister's order and maintaining the Fund's rating principles of stability, consistency and equitable loss ratios.

If these recommendations are implemented, the proposed overall rate increase of 2% will be reduced to 1.25%.

This figure may be partially offset by about $300,000. The consultant believes the Auto Fund has underestimated motorcycle income for 2000 by this amount.

SECTION IV-CLOSING COMMENTS

This is the first time an Auto Fund Proposal for Rate Adjustment has been reviewed by the Saskatchewan Rate Review Panel. Accordingly, it has been a learning process for all concerned. The experiences gained will make the process clearer in subsequent years.

It is recommended that the time line for rate proposal changes should be moved forward so the Saskatchewan Rate Review Panel can begin deliberating at an earlier date.

The staff of the Auto Fund are to be commended for their cooperation with and assistance to the consultant. In particular, Penny McCune, Manager Auto Fund Underwriting Services and her staff need to be recognized for their extra effort.

Respectfully submitted

R. G. Ballan, FIIC